

THE SECRETARY OF STATE
WASHINGTON

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MEMORANDUM FOR: THE PRESIDENT

From: Alexander M. Haig, Jr.

Subject: The United States and Poland

Following the conclusion of the first Congress of Poland's Solidarity Union, an unprecedented political event in a Communist state, the Polish Communist party has again shuffled its leadership under what appears to have been intense pressure from the Soviets. Despite the changes in party and government, negotiations with Solidarity on economic reform are continuing in an atmosphere of growing economic crisis. At this critical moment, I want to share with you my thinking on the unfolding Polish revolution, and its meaning for our policy. This revolution -- now in its fifteenth month -- is a watershed in the history of the Soviet empire.

The progress made by the Polish people is still fragile, but if consolidated will be an historic victory for the West and for Western values of a change of both strategic and moral importance. Our ability to influence events in Poland is limited. Yet we must, where we can, grasp the opportunity before us to curtail Soviet power and to support democratic trends.

The importance of Poland's peaceful revolution is hard to exaggerate. It weakens the Soviet Union and strengthens us on many fronts:

-- The relentless challenge to Soviet-imposed Communist power in Poland has placed the Soviets on the defensive and, together with Afghanistan, has limited Moscow's freedom to undertake new adventures;

-- Poland, the vital communications zone between the Soviet forces in East Germany and the USSR itself, has become such a weak link as to impair seriously the Warsaw Pact's ability to launch a frontal attack on NATO. The Polish Army can no longer be considered a reliable element in any defensive action by the Warsaw Pact;

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-- The resistance of the Polish people demonstrates that Soviet power can be weakened and perhaps in time supplanted by new institutions. The reforms that Solidarity has already partially achieved involve political liberalization and economic decentralization. They strike at the heart of Communist doctrine and seem certain to inspire people elsewhere in the Soviet bloc;

-- Economically, the Polish revolution has increased the strain on Soviet resources and disrupted economic plans throughout the Soviet bloc;

-- Despite the ouster of Kania, the Poles should be able to continue to avoid domestic strife which would, in the extreme, trigger a Soviet invasion; if they are successful in this, the benefits for the West of the Polish revolution can be preserved.

Soviet political pressure on Poland has not cowed the Polish people, and the Polish Government has been forced repeatedly to continue negotiations with Solidarity. Nonetheless, Moscow can be expected to keep up intense pressure on the Polish Party to blunt and roll back the gains of this genuinely popular revolution.

Moscow might also apply economic pressure, by reducing the flow of Soviet raw materials on which Poland depends heavily or requiring repressive measures by the Polish authorities as a condition for Soviet credits. Should the Soviets go in that direction, their obvious sabotage of Poland's economy would only heighten popular opposition to the Government and possibly lead to chaos. We have reports that the Soviets have threatened to force the Poles to balance their trade with the USSR in 1982 -- thus cutting out an implicit Soviet subsidy to the Poles in carrying Poland's trade deficits.

That the Soviets have not yet invaded, or brought about martial law does not mean that they cannot do so. Confronted with the prospect of a war with the Polish people, however, Moscow is much more likely to wait, hoping that the costs will decrease and, in particular, that economic deprivation will gradually disillusion the Poles and reconcile them to renewed Soviet domination. I am convinced that Polish economic hardship and collapse offer the best (and now maybe the only) chance to restore Soviet domination of Poland at manageable cost.

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Without further help from other governments, Poland faces more production cutbacks, consumer shortages, and unrest this winter. At a minimum, I believe the U.S. will have to repeat the short-term allocations of food assistance authorized in September in the NSC -- probably more than once and at higher levels if conditions become desperate. If the internal political and economic situation warrants (above all, if reforms continue to go forward), there may be a compelling strategic rationale for doing considerably more. With assistance, the Poles should be able to turn around their economy in the medium or long run. The Government's planned economic reform should push Poland far toward a market economy.

We will want where feasible not to give assistance to a Communist Government intent on limiting the powers of a free trade union, but to channel our assistance solely through the Church and bodies like Solidarity. However, while the Church and Solidarity can monitor Western assistance activities, only the Polish Government can handle a program adequate to bridge the current crisis. The Polish regime remains Communist; but it has been greatly weakened and must seek accommodation with Solidarity and the Catholic Church. These latter provide powerful checks on the regime.

We have sent American aid to Poland through official channels since President Eisenhower began PL-480 assistance in 1957. Since then, Poland has been a market for our agricultural commodities under CCC financing, but the crippled Polish economy will not be able to obtain bank financing for CCC credit guarantees for the next few years. Quite beyond our strategic reasons, we should not abandon the agricultural market we have developed in Poland. This should be understood by our public, all the more since we have decided to resume grain sales to the USSR.

The strategic stakes in Poland are very high. Furthermore, if the Polish experiment fails because of economic collapse and we are seen as having failed to help, this will be seen throughout the world not as a refusal to aid a Communist government but as a failure to support a people struggling for freedom. Therefore, despite budgetary problems, we must be ready to address the question of medium-term assistance to Poland. I hope to present to you shortly an analysis of available options, including means of assuring that the Soviet Union and our own allies in Europe bear as much of the burden as possible.

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The United States and Poland

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PM:JAzrael *rev for*

THE SECRETARY OF STATE
WASHINGTON

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MEMORANDUM FOR: The President

From: Alexander M. Haig, Jr.

Subject: U.S. Assistance Program for Poland

In my memorandum of November 13, I expressed concern that democratic forces in Poland would be unable to preserve and consolidate their increasingly impressive gains without additional US assistance. Since then it has become even clearer that Poland is on the verge of potentially catastrophic economic crisis -- the sort of crisis that could demoralize and discredit the democratic forces and lead to the reimposition of an inflexible Soviet-style Communist dictatorship. In my opinion our entire tradition and security interests dictate prompt action to avert such an outcome and to reinforce a process that has already placed Moscow on the diplomatic, political and economic defensive and could eventually undermine Soviet control throughout Eastern Europe.

As a result of Walesa's public call for US aid and private messages from Pope John Paul II, I am confident that our assistance can be presented and implemented in a way that not only minimizes the risk of Soviet intervention or counteraction but enhances the already formidable power of Solidarity and the Church. Among other things, a meeting between you and Walesa could be utilized to demonstrate the fact that we are backing a struggle for national self-determination and political liberalization against a failing communist regime. Walesa has indicated that he is thinking along similar lines. He has told Ambassador Meehan that Solidarity's ability to secure US aid could decisively affect the outcome of current negotiations over the reform of the Polish economy and the redistribution of political power.

The Poles have just approached us with an urgent request for \$200 million worth of corn, soybean meal and other commodities. Our experts say that \$100 million in corn and soybean meal will permit them to carry their livestock and poultry industries through the next three months. Absent such assistance, which only the US can provide in a timely fashion, the Poles would be forced to engage in large-scale distress slaughtering which would further complicate their already massive mid- and long-term economic problems.

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As a first step, therefore, the Cabinet Council on Economic Affairs (CCEA) has decided that we should proceed on a \$100 million program in emergency food assistance for Poland through a sale of Commodity Credit Corporation-held corn. Sales financed by CCC dollar credits could be made on appropriately long repayment terms. No immediate legislative action would be required for these sales, nor would there be any budgetary impact. I have talked to John Bloch and he is eager to help resolve the Polish food crisis. We are working together on solutions to several technical problems involved in a sale of surplus CCC corn. In addition, he feels that emergency assistance much be combined with a larger assistance effort addressing Poland's food needs over the coming year.

Accordingly, I recommend that, as a second step, you authorize me to begin consultations with our allies soon on a multilateral aid effort for Poland totalling \$2 - 2.5 billion, of which we would expect the US share to be approximately 25%, all in agricultural commodities. Such a U.S. contribution, of which the \$100 million in emergency food assistance should form a part, would enable us to meet substantially the recent Polish request to purchase \$740 million in agricultural commodities. This figure approximates Polish purchases of agricultural commodities from us in past years and appears to reflect their genuine needs. As part of our effort, U.S. and other Western private banks would be expected to do their share to prevent a total breakdown in the Polish economy. U.S. leadership in the multilateral process is essential to the success of this initiative. Our assistance would be conditioned on Polish implementation of -- and adherence to -- a credible economic stabilization and reform program. State and Treasury, which represent the U.S. on the Polish Creditors Commission, will continue to monitor and assure compliance with the details of these preconditions. Poland's decision to rejoin the IMF will help assure that our conditions are met and our loans eventually repaid.

If my consultations show that there is allied interest in building a multilateral aid package, I will report to you what the U.S. contribution should be and our further recommendations. Any large U.S. contribution would require a supplemental appropriation for funding.

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RECOMMENDATIONS

1. That you endorse our efforts to implement quickly the CCEA decision to provide a \$100 million emergency assistance program for Poland from sales of CCC-held corn financed by long-term credits. We are moving forward rapidly on this.

Approve _____

Disapprove _____

2. That you authorize me to begin consultations with our allies on a \$2 - 2.5 billion multilateral assistance package, of which we would expect the U.S. contribution for Poland to be approximately 25 percent.

Approve _____

Disapprove _____

Attachment:

Tab A - Memorandum of Law: Legal Authority for Emergency Food Assistance to Poland

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